



STRATEGIC SOURCING, SUPPLIER MANAGEMENT AND PROCUREMENT COST SAVING IN THE MANUFACTURING INDUSTRY. A CASE OF BEVERAGE COMPANIES IN UGANDA

ABSTRACT

The main purpose of the study was to examine the relationship between strategic sourcing, supplier management and cost saving. The objectives of the study included an examination of the following relationships; a.) Strategic sourcing and cost saving, b.) Supplier management and cost saving and c.) Strategic sourcing, supplier management and cost saving. To achieve these, the researcher employed a quantitative cross-sectional research design. A research instrument was then developed to tap the research study variables and tested for reliability and validity using the Cronbach Alpha Coefficient and the Content Validity Index respectively which were all acceptable. From a population of 84 beverage firms, the researcher took a sample of 70 Beverage firms and had a response rate of 75.7%. Data was captured and analyzed using the SPSS software. The correlation results revealed that strategic sourcing is significantly and positively associated with procurement cost saving ($r = .639^{**}$, $p < .01$). It was further noted that supplier management and cost saving were positively related ($r = .533^{**}$, $p < .01$), just like the relationship between strategic sourcing and supplier management ($r = .434^{**}$, sig. $< .01$). The regression model results revealed that strategic sourcing and supplier

management are both significant predictors of procurement cost saving, with strategic sourcing showing a greater level of prediction for procurement cost saving (Beta = .502, sig. <.05). It is on the basis of these findings that several recommendations are raised for instance the need for use of alternative sourcing strategies like supplier profiling, segmentation and rationalization which can competently be embraced by procurement professionals to fulfill their role of managing costs. This can be achieved through a clear supplier spend matrix and relational categorization. If these recommendations of the report are considered, there is bound to be commendable cost saving among the Beverage firms.